

Wolfe County School District
Audited Financial Statements
and Other Financial Information
June 30, 2005

**WOLFE COUNTY SCHOOL DISTRICT
TABLE OF CONTENTS
JUNE 30, 2005**

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-6
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	7
Statement of Activities	8
Fund Financial Statements:	
Balance Sheet - Governmental Funds	9
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	10
Statement of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Budgetary Comparison Schedule - General and Special Revenue Funds	13
Statement of Net Assets - Proprietary Fund	14
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Fund	15
Statement of Cash Flows - Proprietary Fund	16
Statement of Net Assets - Fiduciary Funds	17

**WOLFE COUNTY SCHOOL DISTRICT
TABLE OF CONTENTS - CONTINUED
JUNE 30, 2005**

	<u>Page</u>
Notes to Basic Financial Statements	18-36
Combining Balance Sheet - Nonmajor Governmental Funds	37
Combining Statement of Revenues, Expenditures, and Changes In Fund Balances - Nonmajor Governmental Funds	38
Combining Statement of Receipts and Disbursements and Fund Balances – School Activity Funds	39
Statement of Receipts, Disbursements and Fund Balances Wolfe County High School	40
Schedule of Expenditures of Federal Awards	41
Notes to Schedule of Expenditures of Federal Awards	42
Schedule of Findings and Questioned Costs	43-44
Schedule of Prior Year Findings	45
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	46-47
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	48-49
Management Letter Comments	50-56

SUMMERS, MCCRARY & SPARKS, P.S.C.

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS:

AMERICAN INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS

KENTUCKY SOCIETY
OF CERTIFIED PUBLIC ACCOUNTANT

PRIVATE COMPANIES
PRACTICE SECTION OF THE AMERICAN INSTITUTE

141 PROSPEROUS PLACE
SUITE 21A
LEXINGTON, KY 40509-1854
(859) 264-8785
FAX: (859) 264-1736

201 SOUTH MAIN STREET
WINCHESTER, KY 40391
(859) 745-1174
(859) 231-8988

INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee of School District Audits
Members of the Board of Education
Wolfe County School District
Campton, Kentucky 41301

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wolfe County School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix II of the Independent Auditor's Contract - State Audit Requirements*, and *Appendix III of the Independent Auditor's Contract - Electronic Submission*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2005, and the respective changes in financial position and the cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2005, on our consideration of Wolfe County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplemental schedules on pages 38 through 41 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards on page 42 is presented for purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the District. The supplemental information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Summers, McCrary & Sparks, PSC

Summers, McCrary & Sparks, PSC
Lexington, Kentucky
October 4, 2005

**WOLFE COUNTY SCHOOL DISTRICT – CAMPTON, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2005**

As management of the **Wolfe County** School District (District), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning General Fund cash balance for the District was \$1,486,097.
- The board had extensive activity in Fund 360 due to the construction of a new school building during the 2004-05 school year.
- The board purchased four new school buses during the school year.
- The district remains committed to increasing certified and classified salaries. A 3% raise was given to all certified and classified staff in 2004/05.
- The General Fund had \$8.9 million in revenue, which primarily consisted of the state program (SEEK) (73%), property taxes (7%), utility taxes (3%), and motor vehicle taxes (2%). Excluding inter-fund transfers, there were \$9.4 million in General Fund expenditures consisting primarily of instructional payroll expenses.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The District’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District’s finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District’s assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District’s net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

**WOLFE COUNTY SCHOOL DISTRICT – CAMPTON, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2005**

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 7-8 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 9-17 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-36 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government’s financial position. In the case of the District’s governmental activities, assets exceeded liabilities by \$ 4.2 million as of June 30, 2005.

The largest portion of the District’s net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**WOLFE COUNTY SCHOOL DISTRICT – CAMPTON, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2005**

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Comparison of Net Assets for the periods ending June 30, 2004 and June 30, 2005

	June 30, 2004	June 30, 2005
Current Assets	\$ 10,132,684	\$ 4,986,500
Noncurrent Assets	7,531,962	12,623,556
Total Assets	17,664,646	17,672,376
Current Liabilities	1,540,136	1,669,895
Noncurrent Liabilities	12,790,058	11,656,242
Total Liabilities	14,330,194	13,326,137
Net Assets		
Investment in capital assets (net of debt)	3,890,323	297,507
Restricted	6,613,308	2,934,982
Unreserved Fund Balance	(7,169,179)	1,051,430
Total Net Assets	\$ 3,334,452	\$ 4,283,979

The following are significant current year transactions that have had an impact on the Statement of Net Assets.

Comments on Budget Comparisons

- Excluding on-behalf payments of \$1,458,213 General Fund budget compared to actual revenue varied slightly from line item to line item with the ending actual revenues being \$1,064,081 more than budgeted due to unanticipated increases in SEEK funding and increased ad valorem and utility tax collections.
- Actual General Fund expenditures, net of on-behalf payments varied slightly from line item to line item with the ending actual expenditures being \$425,853 more than budget.

The table on the following page, presents a comparative summary of revenue and expense for governmental funds for the fiscal years ended June 30, 2004 and June 30, 2005:

**WOLFE COUNTY SCHOOL DISTRICT – CAMPTON, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2005**

Revenues:	June 30, 2004	June 30, 2005
Local Revenue Sources	\$ 1,045,077	\$ 1,128,053
State Revenue Sources	8,234,550	8,884,332
Federal Revenue	1,688,617	1,539,290
Bond Proceeds	8,689,764	253,519
Total Revenues	<u>\$19,658,008</u>	<u>\$11,805,194</u>
Expenses:		
Instruction	\$ 6,012,483	\$ 6,949,479
Student Support Services	339,488	349,223
Instructional Support	144,013	133,436
District Administration	551,074	659,277
School Administration	579,398	562,299
Business Support	121,648	111,704
Plant Operations	786,130	778,377
Student Transportation	998,324	1,051,680
Central Office Support	40,779	72,776
Non-Instructional	363,756	210,560
Facilities Acquisition and Construction	1,967,214	5,248,254
Debt Service	263,355	1,016,499
Total Expenses	<u>12,167,662</u>	<u>17,143,564</u>
Expense in Excess of Revenue	<u>\$ 7,490,346</u>	<u>\$(5,338,370)</u>

BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. Significant Board action that impacted the finances included a \$1,080 raise for certified staff and a 2.7% increase for classified staff.

Questions regarding this report should be directed to Renee Lawson, Finance Officer (606) 668-8002 or by mail at the Wolfe County Board of Education, PO Box 160, Campton, KY 41301.

WOLFE COUNTY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
JUNE 30, 2005

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Current Assets			
Cash and cash equivalents	\$ 4,842,525	\$ -	\$ 4,842,525
Accounts Receivable			
Taxes	33,284	-	33,284
Accounts	26,044	8,551	34,595
Intergovernmental - federal	62,211	-	62,211
Inventory	-	13,885	13,885
Total Current Assets	4,964,064	22,436	4,986,500
Noncurrent Assets			
Bond discounts and issue costs net of accumulated amortization of \$12,065	228,284	-	228,284
Non-depreciated capital assets	6,975,336	-	6,975,336
Net depreciated capital assets	5,324,632	95,304	5,419,936
Total Noncurrent Assets	12,528,252	95,304	12,623,556
TOTAL ASSETS	\$ 17,492,316	\$ 117,740	\$ 17,610,056
LIABILITIES:			
Current Liabilities			
Accounts payable	858,839	3,844	862,683
Bank overdraft	-	27,837	27,837
Current portion of bond obligations	475,000	-	475,000
Current portion of lease obligations	155,472	-	155,472
Accrued interest payable	67,363	-	67,363
Deferred revenue	81,540	-	81,540
Total Current Liabilities	1,638,214	31,681	1,669,895
Noncurrent Liabilities			
Noncurrent portion of bond obligations	10,595,000	-	10,595,000
Noncurrent portion of lease obligations	872,293	-	872,293
Noncurrent portion of accrued sick leave	188,949	-	188,949
Total Noncurrent Liabilities	11,656,242	-	11,656,242
TOTAL LIABILITIES	13,294,456	31,681	13,326,137
NET ASSETS			
Invested in capital assets, net of related debt	202,203	95,304	297,507
Restricted for:			
Construction	2,934,982	-	2,934,982
Unrestricted	1,060,675	(9,245)	1,051,430
TOTAL NET ASSETS	4,197,860	86,059	4,283,919
TOTAL LIABILITIES AND NET ASSETS	\$ 17,492,316	\$ 117,740	\$ 17,610,056

See Auditor's Report and Accompanying Notes

WOLFE COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS PRIMARY GOVERNMENT		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Primary Government							
Governmental Activities:							
Instructional	\$ 6,999,380	\$ 29,994	\$ 4,431,655	\$ -	\$ (2,537,731)	\$ -	\$ (2,537,731)
Support Services:							
Student	364,070	-	-	-	(364,070)	-	(364,070)
Instructional staff	149,220	-	-	-	(149,220)	-	(149,220)
District administration	643,062	-	-	-	(643,062)	-	(643,062)
School administration	558,529	-	-	-	(558,529)	-	(558,529)
Business	115,394	-	-	-	(115,394)	-	(115,394)
Plant operations and maintenance	955,804	-	-	-	(955,804)	-	(955,804)
Student transportation	824,665	-	-	-	(824,665)	-	(824,665)
Central office	72,372	-	-	-	(72,372)	-	(72,372)
Non-Instructional	208,584	-	-	-	(208,584)	-	(208,584)
Facilities acquisition and construction	381,223	-	-	-	(381,223)	-	(381,223)
Interest on long-term debt	532,456	-	-	-	(532,456)	-	(532,456)
Total Governmental Activities	11,804,759	29,994	4,431,655	-	(7,343,110)	-	(7,343,110)
Business-type Activities:							
Lunchroom sales	711,778	59,347	621,529	-	-	(30,902)	(30,902)
Total Primary Government	\$ 12,516,537	\$ 89,341	\$ 5,053,184	\$ -	\$ (7,343,110)	\$ (30,902)	\$ (7,374,012)
General Revenues:							
Taxes:							
Property					\$ 517,712	\$ -	\$ 517,712
Motor vehicle					133,008	-	133,008
Utilities					251,722	-	251,722
State aid formula grants					5,991,967	-	5,991,967
Interest and investment earnings					133,615	20	133,635
Gain(loss) on sale of fixed assets					13,013	-	13,013
Miscellaneous					62,003	5,581	67,584
Total General Revenues					7,103,040	5,601	7,108,641
Change in Net Assets					(240,070)	(25,301)	(265,371)
Net Assets July 1, 2004					3,250,712	83,740	3,334,452
Prior Period Adjustment					1,187,218	27,620	1,214,838
Net Assets July 1, 2004, restated					4,437,930	111,360	4,549,290
Net Assets June 30, 2005					\$ 4,197,860	\$ 86,059	\$ 4,283,919

See Auditor's Report and Accompanying Notes

**WOLFE COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005**

	GENERAL FUND	SPECIAL REVENUE (GRANT) FUNDS	CONSTRUCTION FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:					
Cash and cash equivalents	\$ 1,235,828	\$ 44,156	\$ 3,344,123	\$ 218,418	\$ 4,842,525
Accounts receivable					
Taxes	33,284			-	33,284
Accounts	769	550	24,725	-	26,044
Intergovernmental - federal	-	62,211	-	-	62,211
TOTAL ASSETS	\$ 1,269,881	\$ 106,917	\$ 3,368,848	\$ 218,418	\$ 4,964,064
LIABILITIES:					
Accounts payable	\$ 181,180	\$ 25,377	\$ 652,284	\$ -	\$ 858,841
Deferred revenue	-	81,540	-	-	81,540
TOTAL LIABILITIES	181,180	106,917	652,284	-	940,381
FUND BALANCES:					
Reserved for Other Purposes:					
Sick leave	118,128	-	-	-	118,128
Construction	-	-	2,716,564	218,418	2,934,982
Unreserved	970,573	-	-	-	970,573
TOTAL FUND BALANCES	1,088,701	-	2,716,564	218,418	4,023,683
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,269,881	\$ 106,917	\$ 3,368,848	\$ 218,418	\$ 4,964,064

See Auditor's Report and Accompanying Notes

WOLFE COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

Total Governmental Fund Balances	\$ 4,023,683
---	---------------------

Amounts reported for governmental activities in the statement of net assets are different because:

Bond issuance costs are reported as expenditures in the governmental funds, but are capitalized in the statement of net assets net of accumulated amortization.	228,284
---	---------

Capital assets are not reported in the fund financial statement because they are not current financial resources, but they are reported in the statement of net assets.	12,299,968
---	------------

Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in the fund financial statement because they are not due and payable, but are presented in the statement of net assets.	<u>(12,354,075)</u>
---	---------------------

Total Net Assets of Governmental Activities	\$ <u>4,197,860</u>
--	----------------------------

WOLFE COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	GENERAL FUND	SPECIAL REVENUE (GRANT) FUNDS	CONSTRUCTION FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
From local sources:					
Taxes:					
Property	\$ 427,859	\$ -	\$ -	\$ 89,853	\$ 517,712
Motor vehicle	133,008	-	-	-	133,008
Utilities	251,722	-	-	-	251,722
Earnings on investments	24,276	15	94,295	15,029	133,615
Rental	50	-	-	-	50
Other local revenues	61,953	29,993	-	-	91,946
Intergovernmental - state	7,996,196	510,604	-	377,532	8,884,332
Intergovernmental - federal	14,125	1,525,165	-	-	1,539,290
TOTAL REVENUES	<u>8,909,189</u>	<u>2,065,777</u>	<u>94,295</u>	<u>482,414</u>	<u>11,551,675</u>
EXPENDITURES:					
Current:					
Instruction:	5,077,889	1,871,590	-	-	6,949,479
Support Services:					
Student	349,223	-	-	-	349,223
Instructional staff	133,436	-	-	-	133,436
District administration	659,277	-	-	-	659,277
School administration	562,299	-	-	-	562,299
Business	111,704	-	-	-	111,704
Plant operations and maintainance	778,377	-	-	-	778,377
Student transportation	1,051,680	-	-	-	1,051,680
Central office	72,776	-	-	-	72,776
Non-Instructional	-	210,560	-	-	210,560
Facilities acquisition and construction	103,284	-	5,144,970	-	5,248,254
Debt service	546,016	-	-	470,483	1,016,499
TOTAL EXPENDITURES	<u>9,445,961</u>	<u>2,082,150</u>	<u>5,144,970</u>	<u>470,483</u>	<u>17,143,564</u>
Excess (Deficit) of Revenues over Expenditures	<u>(536,772)</u>	<u>(16,373)</u>	<u>(5,050,675)</u>	<u>11,931</u>	<u>(5,591,889)</u>
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of fixed assets/bonds	253,519	-	-	-	253,519
Operating transfers in	-	16,373	942,980	-	959,353
Operating transfers out	(16,373)	-	-	(942,980)	(959,353)
TOTAL OTHER FINANCING SOURCES (USES):	<u>237,146</u>	<u>16,373</u>	<u>942,980</u>	<u>(942,980)</u>	<u>253,519</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(299,626)	-	(4,107,695)	(931,049)	(5,338,370)
Fund balance June 30, 2004	1,415,947	-	6,824,259	1,149,467	9,389,673
Prior period adjustment	(27,620)	-	-	-	(27,620)
Fund balance June 30, 2004, restated	<u>1,388,327</u>	<u>-</u>	<u>6,824,259</u>	<u>1,149,467</u>	<u>9,362,053</u>
Fund balance June 30, 2005	<u>\$ 1,088,701</u>	<u>\$ -</u>	<u>\$ 2,716,564</u>	<u>\$ 218,418</u>	<u>\$ 4,023,683</u>

See Auditor's Report and Accompanying Notes

WOLFE COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Net Change in Fund Balances - Total Governmental Funds \$ (5,338,370)

Amounts reported for governmental activities in the
statement of activities are different because:

Generally, bond proceeds are recognized in this fund financial statement
as resources available for use as current financial resources, but
bond proceeds are not recognized in the statement of activities.
Bond issue costs are expensed as incurred in the fund financial
statement, but are amortized over the life of the bond in the statement
of activities:

Bond proceeds	(240,506)
Debt issuance costs	8,192
Amortization expense	(12,065)

Capital outlays are reported as expenditures in the fund financial
statement because they are current financial resources, but they
are presented as assets in the statement of activities and depreciated
over their estimated economic lives. The difference is the amount
by which capital outlays exceeds depreciation expense for the year.

Capital outlays	5,172,598
Depreciation expense	(399,943)

Generally, expenditures recognized in this fund financial statement are
limited to only those that use current financial resources, but expenses
are recognized in the statement of activities when they are incurred.

Change in accrued interest	(25,957)
Change in sick leave	(43,399)

Bond and lease payments are recognized as
expenditures of current financial resources in the fund financial
statement, but are reductions of liabilities in the statement of net assets.

639,380

Change in Net Assets of Governmental Activities \$ (240,070)

**WOLFE COUNTY BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2005**

	GENERAL FUND				SPECIAL REVENUE FUND			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE Favorable (Unfavorable)	BUDGETED AMOUNTS		ACTUAL	VARIANCE Favorable (Unfavorable)
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES:								
From local sources:								
Taxes:								
Property	\$ 355,000	\$ 335,000	\$ 427,859	\$ 92,859	\$ -	\$ -	\$ -	\$ -
Motor vehicle	75,000	75,000	133,008	58,008	-	-	-	-
Utilities	170,000	170,000	251,722	81,722	-	-	-	-
Earnings on investments	30,000	20,000	24,276	4,276	-	(143)	15	158
Rental	-	-	50	50	-	-	-	-
Other local revenues	5,000	25,000	61,953	36,953	-	(47,945)	29,993	77,938
Intergovernmental - state	5,738,068	5,751,895	7,996,196	2,244,301	45,385	533,125	510,604	(22,521)
Intergovernmental - indirect federal	10,000	10,000	14,125	4,125	1,506,780	1,844,182	1,525,165	(319,017)
TOTAL REVENUES	6,383,068	6,386,895	8,909,189	2,522,294	1,552,165	2,329,219	2,065,777	(263,442)
EXPENDITURES:								
Current:								
Instruction:	3,630,460	3,768,111	5,077,889	(1,309,778)	1,577,165	2,182,611	1,871,590	311,021
Support Services:								
Student	354,349	362,597	349,223	13,374	-	-	-	-
Instructional staff	124,780	128,175	133,436	(5,261)	-	-	-	-
District administration	1,028,657	1,032,881	659,277	373,604	-	-	-	-
School administration	474,938	488,151	562,299	(74,148)	-	-	-	-
Business	101,305	106,371	111,704	(5,333)	-	-	-	-
Plant operations and maintenance	769,085	779,713	778,377	1,336	-	-	-	-
Student transportation	765,819	787,126	1,051,680	(264,554)	-	19,638	-	19,638
Central office	62,675	62,770	72,776	(10,006)	-	-	-	-
Non-Instructional	-	-	-	-	-	165,239	210,560	(45,321)
Facilities acquisition and construction	46,000	46,000	103,284	(57,284)	-	-	-	-
Debt service	-	-	546,016	(546,016)	-	-	-	-
Other	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	7,358,068	7,561,895	9,445,961	(1,884,066)	1,577,165	2,367,488	2,082,150	285,338
Excess (Deficit) of Revenues over Expenditures	(975,000)	(1,175,000)	(536,772)	638,228	(25,000)	(38,269)	(16,373)	21,896
OTHER FINANCING SOURCES (USES):								
Proceeds from sale of assets/bonds	-	-	253,519	253,519	-	-	-	-
Operating transfers in	-	-	-	-	25,000	38,269	16,373	(21,896)
Operating transfers out	(25,000)	(25,000)	(16,373)	8,627	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES):	(25,000)	(25,000)	237,146	262,146	25,000	38,269	16,373	(21,896)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(1,000,000)	(1,200,000)	(299,626)	900,374	-	-	-	-
Fund balance June 30, 2004	1,000,000	1,200,000	1,415,947	215,947				
Prior period adjustment	-	-	(27,620)	(27,620)	-	-	-	-
Fund balance June 30, 2004, restated	1,000,000	1,200,000	1,388,327	188,327	-	-	-	-
Fund balance June 30, 2005	\$ -	\$ -	\$ 1,088,701	\$ 1,088,701	\$ -	\$ -	\$ -	\$ -

See Auditor's Report and Accompanying Notes

**WOLFE COUNTY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2005**

	<u>FOOD SERVICE FUND</u>
ASSETS:	
Current Assets	
Cash and cash equivalents	\$ -
Accounts receivable	8,551
Inventory	<u>13,885</u>
Total Current Assets	22,436
Noncurrent Assets	
Machinery & equipment	456,677
Accumulated depreciation	<u>(361,373)</u>
Total Noncurrent Assets	95,304
TOTAL ASSETS	\$ <u><u>117,740</u></u>
LIABILITIES:	
Current Liabilities	
Accounts payable	\$ 3,844
Bank overdraft	<u>27,837</u>
Total Current Liabilities	31,681
Noncurrent Liabilities	<u>-</u>
TOTAL LIABILITIES	<u>31,681</u>
NET ASSETS:	
Invested in capital assets, net of related debt	95,304
Unrestricted	<u>(9,245)</u>
TOTAL NET ASSETS	<u>86,059</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u><u>117,740</u></u>

See Auditor's Report and Accompanying Notes

**WOLFE COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2005**

	FOOD SERVICE FUND
OPERATING REVENUES:	
Lunchroom sales	\$ 59,347
Federal grants	544,243
Federal commodities	39,727
State grants	37,559
Other operating revenues	5,581
TOTAL OPERATING REVENUES	<u>686,457</u>
OPERATING EXPENSES:	
Salaries and wages	274,580
Contract services	20,885
Materials and supplies	409,059
Miscellaneous	240
Depreciation	7,014
TOTAL OPERATING EXPENSES	<u>711,778</u>
Operating income (loss)	(25,321)
NON-OPERATING REVENUES (EXPENSES)	
Interest income	<u>20</u>
NON-OPERATING REVENUES (EXPENSES)	<u>20</u>
Net income (loss) before operating transfers	(25,301)
Operating transfers	<u>-</u>
Change in net assets	<u>(25,301)</u>
Total net assets June 30, 2004	83,740
Prior period adjustment	<u>27,620</u>
Net Assets June 30, 2004, restated	<u>111,360</u>
Total net assets June 30, 2005	<u>\$ 86,059</u>

See Auditor's Report and Accompanying Notes

**WOLFE COUNTY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2005**

	ENTERPRISE FUND
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 64,928
Cash received from federal & state govt.	594,599
Cash paid to suppliers	(394,444)
Cash paid to employees	(246,878)
	<u>18,205</u>
Net Cash Provided (Used) by Operating Activities	<u>18,205</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	-
CASH FLOWS FROM FINANCING ACTIVITIES	-
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	20
Purchase of fixed assets	-
	<u>20</u>
Net Cash Provided (Used) by Investing Activities	<u>20</u>
Net Increase (Decrease) in Cash and Cash Equivalents	18,225
Cash and cash equivalents June 30, 2004	(73,682)
Prior period adjustment	27,620
Cash and cash equivalents June 30, 2004, restated	<u>(46,062)</u>
Cash and cash equivalents June 30, 2005	<u><u>\$ (27,837)</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (25,321)
Adjustments to Reconcile Net Income to Net Cash from Operating Activities:	
Depreciation	7,014
Changes in Assets and Liabilities:	
Accounts receivable	40,500
Inventories	(4,843)
Accounts payable	855
	<u>855</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 18,205</u></u>
Schedule of non-cash transactions:	
Donated commodities received from federal government	<u><u>\$ 39,727</u></u>

See Auditor's Report and Accompanying Notes

**WOLFE COUNTY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005**

	<u>ACTIVITY FUNDS</u>
ASSETS	
Cash and cash equivalents	\$ 102,961
Accounts receivable	<u>2,289</u>
 TOTAL ASSETS	 <u><u>105,250</u></u>
 LIABILITIES:	
Accounts payable	2,048
Due to student groups	<u>103,202</u>
 TOTAL LIABILITIES	 \$ <u><u>105,250</u></u>

See Auditor's Report and Accompanying Notes

**WOLFE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND
DESCRIPTION OF FUNDS**

A. REPORTING ENTITY

The Wolfe County Board of Education ("Board"), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Wolfe County School District ("District"). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all the funds and account groups relevant to the operation of the Wolfe County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which, although associated with the school system, have not originated within the Board itself, such as Boosters Club, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Wolfe County Board of Education Finance Corporation - In a prior year the Board of Education resolved to authorize the establishment of the Wolfe County School District Finance Corporation (a non-stock, non-profit corporation organized under Section 162.385 of the School Bond Act and Chapter 273 and KRS 58.180) (the "Corporation") as an agency of the District for financing the costs of school building improvements. The Board members of the Wolfe County Board of Education also comprise the corporation's Board of Directors.

**WOLFE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND
DESCRIPTION OF FUNDS (contd.)**

BASIS OF PRESENTATION

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Board and for each function or program of the Board's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Board, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Board.

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determinable by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in the total net assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

**WOLFE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (contd.)

The District has the following funds:

I. Governmental Fund Types

(A) The General Fund is the primary operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.

(B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Federal Financial Assistance included in this report. In addition, the Kentucky Education Technology System (KETS) allocation and the District's matching funds are being reported in the Special Revenue fund as required by the Kentucky Department of Education. These funds are restricted for the purpose of technology consistent with the District's approved technology plan. The Special Revenue Fund is a major fund.

(C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds). The following are Capital Project Funds:

- 1) The Support Education Excellence in Kentucky (SEEK) Fund receives those funds designated by the state as Capital Outlay Funds (unless authorized for retention in the General Fund) and is generally restricted for use in financing capital acquisitions.
- 2) The FSPK Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
- 3) The Construction Fund includes Capital Project Fund Accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

**WOLFE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (contd.)

(D) The Debt Service Fund is a debt service fund used to account for the accumulation of resources for, and the payment of, bonded debt and lease obligations, interest and related costs.

II. Proprietary Fund Types (Enterprise Fund)

(A) The **Food Service Fund** accounts for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture ("USDA"). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund.

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

III. Fiduciary Fund Type (Agency)

(A) The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the *Uniform program of Accounting for School Activity Funds*.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

In the Government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis,

**WOLFE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (contd.)

revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Revenues from local sources consist primarily of property taxes. Property tax collected are recorded as revenues in the fund for which they were levied. Revenue is recognized when susceptible to accrual. Miscellaneous revenues are recorded on the same basis, if measurable. Investment earnings are recorded as earned since they are measurable and available.

Grant funds which are recorded in the special revenue fund as restricted funds are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received they are recorded as deferred revenues until earned.

Property Taxes

Property Tax Revenues - Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

**WOLFE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (contd.)

The property tax rates assessed for the year ended June 30, 2005, to finance the General Fund operations were \$.364 per \$100 valuation for real property, \$.417 per \$100 valuation for business personal property and \$.459 per \$100 valuation for motor vehicles. The assessed value upon which the levy for the 2005 fiscal year was based, was \$177,047,320.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the district, of telephone and telegraph communications services, cablevisions services, electric power, water, and natural, artificial and mixed gas.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Board maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are expensed.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Other	10 years

**WOLFE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (contd.)

Interfund Balances

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of the accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the amount "accumulated sick leave payable" in the general fund. The non-current portion of the liability is not reported in the fund financial statements, but is reflected in the statement of net assets.

Budgetary Process

The Board is required by state law to adopt annual budgets for the general fund, special revenue fund, debt service and capital projects funds. Each budget is presented on the modified accrual basis of accounting which is a basis other than Generally Accepted Accounting Principles (GAAP). The major difference between the budgetary basis and the GAAP basis is revenues and expenses are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy; only amendments that aggregate greater than \$50,000 require Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end in accordance with state law.

**WOLFE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (contd.)

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year end.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventory

Inventories consist of food purchased by the Board and commodities granted by the United States Department of Agriculture (USDA). The commodities are recognized as revenues and expenditures by the Food Service Fund when consumed. Any material commodities on hand at year end are recorded as inventory. All purchased inventory items are valued at cost (first-in, first-out) using the consumption method and commodities are assigned values based on information provided by the USDA.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2005 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Bond issue costs

Costs associated with the issuance of bond obligations, including fiscal and rating agency fees, paying agent fees, and attorney fees, are reported as expenditures in the governmental funds financial statements. These costs are capitalized and amortized over the lives of the respective bonds on the government-wide financial statements.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the non-current

**WOLFE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (contd.)

portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance Reserves

Portions of fund equity are segregated for future use and are therefore not available for future appropriation or expenditure for general use. Amounts reserved for encumbrances, compensated absences, and construction commitments represent portions of fund equity required to be segregated in accordance with state law or generally accepted accounting principles. Designations of unreserved fund balances in governmental funds indicate the utilization of these resources in the ensuing year's budget or tentative plans for future use.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as necessary.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by various schools.

**WOLFE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (contd.)

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America required the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CASH AND CASH EQUIVALENTS

At year end, the carrying amount of the District's cash and cash equivalents was \$4,917,649. The bank balance for the same time was \$5,737,317. Of the total cash balance, \$300,000 was covered by Federal Depository insurance, with the remainder covered by collateral held by the pledging banks' trust departments in the District's name. The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Breakdown per financial statements:

Governmental funds	\$	4,842,525
Proprietary funds		(27,837)
Agency funds		<u>102,961</u>
	\$	<u><u>4,917,649</u></u>

**WOLFE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 2 - CASH AND CASH EQUIVALENTS (contd.)

Cash and cash equivalents at June 30, 2005 consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
Checking	\$5,635,965	\$4,814,688
Fiduciary Funds	<u>101,352</u>	<u>102,961</u>
	<u><u>\$5,737,317</u></u>	<u><u>\$4,917,649</u></u>

NOTE 3 CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005 was as follows:

	Balance at 7/01/04	Additions	Deletions	Balance at 6/30/05
Governmental Activities:				
Land	\$ 627,487	\$ 0	\$ 0	\$ 627,487
Land Improvements	283,808	0	0	283,808
Buildings Improvements	6,956,179	97,671	0	7,053,849
Technological Equipment	823,628	73,281	0	896,909
Vehicles	1,578,207	232,284	(95,193)	1,715,298
General Equipment	267,751	0	0	267,751
Construction in Progress	1,480,819	4,867,031	0	6,347,850
Total Historical Cost	<u>12,017,879</u>	<u>5,270,267</u>	<u>(95,193)</u>	<u>17,192,953</u>
Accumulated Depreciation	(4,588,235)	(399,943)	95,193	(4,892,985)
Capital Assets - Net	<u><u>\$ 7,429,644</u></u>	<u><u>\$ 4,870,324</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 12,299,968</u></u>
Business Activities:				
Technological Equipment	\$ 5,455	\$ 0	\$ 0	\$ 5,455
Building Improvements	149,456	0	0	149,456
General Equipment	301,766	0	0	301,766
Total Historical Cost	<u>456,677</u>	<u>0</u>	<u>0</u>	<u>456,677</u>
Accumulated Depreciation	(354,359)	(7,014)	0	(361,373)
Capital Assets - Net	<u><u>\$ 102,318</u></u>	<u><u>\$ (7,014)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 95,304</u></u>

**WOLFE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 3 CAPITAL ASSETS (contd.)

Depreciation expense was charged to functions of the governmental activities of the District as follows:

Governmental Activities:

Instruction	\$ 35,361
Support Services:	
Student	14,847
Instructional staff	21,315
District administration	10,371
School administration	4,750
Business	3,690
Plant operations & maintenance	165,362
Student transportation	142,841
Non-instructional	1,406
Total depreciation expense, governmental activities	<u>\$ 399,943</u>

Construction Commitments

At June 30, 2005, the District's commitments for long-term construction and remodeling projects include costs to date of \$6,347,850 and expected cost to complete of \$628,926.

NOTE 5 - BONDED DEBT AND LEASE OBLIGATIONS

Bonds

The District, through the General Fund, the Construction Fund, the Building Fund, and the SEEK Capital Outlay Fund are obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Wolfe County School District Finance Corporation to construct school facilities. The District has the option to purchase the property under lease at any time by retiring the bonds then outstanding.

In connection with the school revenue bonds issued after May 1, 1996 the District entered into "Participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

**WOLFE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 5 - BONDED DEBT AND LEASE OBLIGATIONS (contd.)

The original amount of each issue, the issue date, and interest rates are summarized below:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>	<u>Balance June 30, 2005</u>
	\$		
1996	1,385,000	4.30-5.00%	\$ 725,000
1997	1,575,000	4.25-4.75%	1,020,000
2002	730,000	1.60-4.75%	720,000
2004	8,855,000	4.25-4.50%	8,605,000
	<u>\$ 12,545,000</u>		<u>\$ 11,070,000</u>

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2005 for debt service (principal and interest) are as follows:

	<u>Wolfe County School District</u>		<u>Kentucky School Facilities Construction Commission</u>		
<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2006	191,783	216,764	283,217	263,604	955,368
2007	195,124	207,978	294,876	251,250	949,228
2008	207,646	198,670	307,354	238,334	952,004
2009	214,486	188,748	320,514	224,771	948,519
2010	222,817	178,081	337,183	210,489	948,570
2011	231,904	164,136	303,096	196,686	895,822
2012	227,275	163,137	247,725	183,477	821,614
2013	236,746	153,748	258,254	172,948	821,696
2014	245,771	143,816	269,229	161,973	820,789
2015	254,329	133,571	280,671	150,530	819,101
2016	267,400	122,812	292,600	138,602	821,414
2017	279,964	111,557	305,036	126,166	822,723
2018	292,000	99,714	318,000	113,202	822,916
2019	303,485	87,196	331,515	99,687	821,883
2020	318,982	73,710	346,018	85,184	823,894
2021	333,411	59,194	361,589	69,613	823,807
2022	347,139	42,128	377,861	53,341	820,469
2023	360,135	26,213	394,865	36,337	817,550
2024	297,365	13,381	412,634	18,569	741,950
	<u>\$ 5,027,763</u>	<u>\$ 2,384,554</u>	<u>\$ 6,042,237</u>	<u>\$ 2,794,763</u>	<u>\$ 16,249,317</u>

**WOLFE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 5 - BONDED DEBT AND LEASE OBLIGATIONS (contd.)

The following is a summary of the District's long-term debt transactions for the year ended June 30, 2005:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>
General Obligation Bonds	\$11,580,000	\$0	\$510,000	\$11,070,000
Capital Leases	916,639	240,506	129,380	1,027,765

Capital Leases

The following is an analysis of the leased property under capital lease by class:

<u>Class of Property</u>	<u>Book value as of June 30, 2005</u>
Buses	\$ 1,715,298

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the minimum lease payments as of June 30, 2005:

<u>Year Ending June 30,</u>	<u>Capital lease payable</u>
2006	194,687
2007	179,837
2008	172,885
2009	162,193
2010	145,516
2011	114,604
2012	92,261
2013	64,669
2014	42,060
2015	<u>23,848</u>
Total minimum lease payments	\$ 1,192,560
Less: Amount of interest	<u>(164,795)</u>
Present value of net minimum Lease payments	<u>\$ 1,027,765</u>

**WOLFE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 8- COMMITMENTS UNDER NON CAPITALIZED LEASES

Commitments under operating lease agreements for office equipment provide for the minimum future rental payments as of June 30, 2005 as follows:

Year ending June 30:

2006	\$	46,044
------	----	--------

Rent expense for the year ended June 30, 2005 was \$46,044.

NOTE 9 - RETIREMENT PLAN

Plan Descriptions

The District contributes to the Kentucky Teachers' Retirement System (KTRS), a cost sharing, multiple-employer, defined benefit pension plan, for the District's certified employees. KTRS administers retirement and disability annuities and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky.

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes the financial statements and required supplementary information for the defined benefit plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601.

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System (CERS), a cost sharing, multiple-employer, public employers retirement system.

Contribution rates for KTRS are established by KRS. Members are required to contribute 9.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of members' salaries. The federal program that pays for salaries also pays the matching contributions. KTRS requires that members occupy a position requiring either a four (4) year college degree or certification by KY Department of Education (KDE).

Funding for CERS is provided through payroll withholdings of 5% and a Board contribution of 8.48% of the employee's total compensation subject to contribution.

The Board's total payroll for the year was \$6,780,975. The payroll for employees covered under KTRS was \$5,212,473 and for CERS \$ 1,568,502.

**WOLFE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 5 - RETIREMENT PLANS (contd.)

The contribution requirement to KTRS for the year ended June 30, 2005 was \$577,425 from the Commonwealth of Kentucky, \$513,690 from the District's employees and \$105,901 from the District, which represents those employees covered by federal programs.

The contribution requirement for CERS for the year ended June 30, 2005 was \$211,435, which consisted of \$133,009 from the Board and \$78,426 from the employees.

Benefits under both plans will vary based on final compensation, years of service, and other factors as fully described in the plan documents.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits which is adjusted for the effects of projected salary increases step-rate benefits that are estimated to be payable in the future as a result of employee service to-date. The measure, which is the actuarial present value of credited, projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

KTRS and CERS do not make separate measurements of assets and pension benefit obligation for individual employers. The following table presents certain information regarding the plans' status as a whole, derived from actuarial valuations performed as of the dates indicated:

	KTRS June 30, 2004	CERS June 30, 2004
Net assets available for benefits	\$ 14,255,100,000	\$ 6,397,726,506
Pension benefit obligation	17,617,600,000	7,453,191,207
Over(under)funded pension benefit	<u>\$ (3,362,500,000)</u>	<u>\$ (1,055,464,701)</u>

Ten-year historical trend information, showing KTRS and CERS progress in accumulating sufficient assets to pay benefits when due, is presented in the June 30, 2004 comprehensive annual financial reports.

As the District is only one of several employers participating in the plan, it is not practical to determine the Board's portion of the unfunded past service cost or the vested benefits of the District's portion of the plan assets.

**WOLFE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 5 - RETIREMENT PLANS (contd.)

The District also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K) and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District does not contribute to these plans.

NOTE 10- CONTINGENCIES

Funding for the Board's Grant Funds is provided by federal, state and local government agencies. These funds are to be used for designated purposes only. If, based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantor may request a refund of monies advanced, or to refuse to reimburse the Board for its disbursements. The amount of such future refunds and un-reimbursed disbursements, if any, is not expected to be significant. Continuation of the Board's grant programs is predicated upon the grantor's satisfaction that the funds provided are being spent as intended and the grantor's intent to continue their programs.

NOTE 11 - INSURANCE AND RELATED ACTIVITIES

The district is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The district has purchased certain policies which are retrospectively rated and include worker's compensation insurance.

NOTE 12- RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for worker's compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual Premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four months after the expiration of the self-insurance term. The liability insurance fund pays insurance

**WOLFE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 12- RISK MANAGEMENT (contd.)

premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage, and for any reason, by giving ninety days notice. In the event the Trust terminated coverage, any amount remaining in the Fund would be returned to the member on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past several fiscal years.

NOTE 13 - DEFICIT OPERATING/ FUND BALANCES

There were no funds operating at a deficit fund balance at June 30, 2005. However, several funds had operations that resulted in a current year deficit of revenues over expenditures resulting in the following reductions of fund balance:

General Fund	\$ 299,626
Construction Fund	4,107,695
Capital Outlay Fund	60,998
Food Service	25,301

NOTE 14- COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency).

NOTE 15 - TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Rev.	Tech. Match	\$ 16,373
Operating	Capital Outlay	Construction	Construction	\$ 942,980

**WOLFE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 16 - ON-BEHALF PAYMENTS

The Commonwealth of Kentucky contributes funds on behalf of the District for medical insurance and related expenses, pension contributions and vocational education. The School Facilities Construction Commission contributes funds for the retirement of bonds and payment of interest on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts as reported on the statement of activities and in the actual column on the budgetary comparison schedule. However, these amounts were not included in the budgeted amounts. Contributions made on behalf of the District for the year ended June 30, 2005 were:

Insurance and related expenses	\$ 855,002
Pension contributions	577,425
Vocational education	53,488
Bond retirement and interest	546,016
Total on-behalf payments	<u>\$ 2,031,931</u>

NOTE 17 – PRIOR PERIOD ADJUSTMENTS

The following prior period adjustments have been recorded in the financial statements, and are reported as an adjustment to beginning fund balance or net assets:

Statement of Activities – Governmental Activities:

Decrease in bond obligations to correct carrying value of bonds at the end of the prior year	\$ 982,681
Capitalize bond issue costs not recorded	232,157
Transfers not recorded	(27,620)

Total Adjustment Statement of Activities – Governmental Activities

1,187,218

Statement of Activities – Business Activities:

Transfers not recorded	<u>\$ 27,620</u>
------------------------	------------------

WOLFE COUNTY BOARD OF EDUCATION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

	CAPITAL OUTLAY FUND	BUILDING OUTLAY	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS:			
Cash and cash equivalents	\$ -	\$ 218,418	\$ 218,418
Investments	-	-	-
Accounts receivable			
Taxes - current	-	-	-
Taxes - delinquent	-	-	-
Accounts	-	-	-
Intergovernmental - state	-	-	-
Intergovernmental - federal	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 218,418</u>	<u>\$ 218,418</u>
LIABILITIES:			
Accounts payable	\$ -	\$ -	\$ -
Deferred revenue	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:			
Reserved	-	218,418	218,418
Unreserved	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCES	<u>-</u>	<u>218,418</u>	<u>218,418</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 218,418</u>	<u>\$ 218,418</u>

WOLFE COUNTY BOARD OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	CAPITAL OUTLAY FUND	BUILDING FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES:			
From local sources:			
Taxes:			
Property	\$ -	\$ 89,853	\$ 89,853
Motor Vehicle	-	-	-
Utilities	-	-	-
Earnings on investments	-	15,029	15,029
Community Service Activities	-	-	-
Other local revenues	-	-	-
Intergovernmental - State	118,640	258,892	377,532
Intergovernmental - Indirect federal	-	-	-
TOTAL REVENUES	<u>118,640</u>	<u>363,774</u>	<u>482,414</u>
EXPENDITURES:			
Current:			
Instruction:	-	-	-
Support Services:			
Student	-	-	-
Instructional staff	-	-	-
District administration	-	-	-
School administration	-	-	-
Business	-	-	-
Plant operations and maintenance	-	-	-
Student transportation	-	-	-
Central office	-	-	-
Non-instructional	-	-	-
Facilities acquisition and construction	-	-	-
Debt service	179,638	290,845	470,483
Other	-	-	-
TOTAL EXPENDITURES	<u>179,638</u>	<u>290,845</u>	<u>470,483</u>
Excess (Deficit) of Revenues over Expenditures	<u>(60,998)</u>	<u>72,929</u>	<u>11,931</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from sale of assets/bonds			-
Operating transfers in	-	-	-
Operating transfers out	-	(942,980)	(942,980)
TOTAL OTHER FINANCING SOURCES (USES):	<u>-</u>	<u>(942,980)</u>	<u>(942,980)</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(60,998)	(870,051)	(931,049)
Fund balance June 30, 2004	<u>60,998</u>	<u>1,088,469</u>	<u>1,149,467</u>
Fund balance June 30, 2005	\$ <u>-</u>	\$ <u>218,418</u>	\$ <u>218,418</u>

WOLFE COUNTY BOARD OF EDUCATION
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND
FUND BALANCES - SCHOOL ACTIVITY FUNDS
Year Ended June 30, 2005

	Cash Balances June 30, 2004	Receipts	Disbursements	Cash Balances June 30, 2005	Fund Balances June 30, 2004	Accounts Receivable June 30, 2005	Accounts Payable June 30, 2005	Net Effect of Change in Accounting Principle	Fund Balances June 30, 2005
Wolfe Co. High School	\$ 8,344	\$ 244,431	\$ 245,754	\$ 7,021	\$ 8,344	\$ 2,145	\$ 938	\$ -	\$ 8,228
Wolfe Co. Middle School	17,220	54,483	51,387	20,316	17,720	-	-	(500)	20,316
Campton Elementary	30,347	46,593	45,811	31,129	30,427	-	-	(80)	31,129
Red River Elementary	26,152	27,620	38,959	14,813	25,549	-	-	603	14,813
Rogers Elementary	23,376	49,647	43,341	29,682	23,376	144	1,110	-	28,716
	<u>\$ 105,439</u>	<u>\$ 422,774</u>	<u>\$ 425,252</u>	<u>\$ 102,961</u>	<u>\$ 105,416</u>	<u>\$ 2,289</u>	<u>\$ 2,048</u>	<u>\$ 23</u>	<u>\$ 103,202</u>

WOLFE COUNTY BOARD OF EDUCATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES
WOLFE COUNTY HIGH SCHOOL
FOR THE YEAR ENDED JUNE 30, 2005

ACCOUNTS:	Cash Balances June 30, 2004	Receipts	Disbursements	Cash Balances June 30, 2005	Fund Balances June 30, 2004	Accounts Receivable June 30, 2005	Accounts Payable June 30, 2005	Net Effect of Change in Accounting Principle	Fund Balances June 30, 2005
Academic League	\$ -	\$ 750	\$ 750	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Academic Team	-	464	464	-	-	-	-	-	-
Advanced Placement	114	-	114	-	114	-	-	-	-
Art	542	2,396	2,167	771	542	-	-	-	771
Athletics - Boys	556	15,418	15,890	84	556	-	-	-	84
Athletics - Girls	-	7,134	6,995	139	-	-	-	-	139
Band	4	66	70	-	4	-	-	-	-
Baseball	990	1,616	2,441	165	990	-	-	-	165
Beta Club	216	44,086	43,719	583	216	-	-	-	583
Boys Gate	-	20,878	20,878	-	-	-	-	-	-
Cheerleaders	861	8,592	9,048	405	861	21	426	-	-
Christmas Tournament	-	1,700	1,700	-	-	-	-	-	-
Coke	29	25,998	27,349	(1,322)	29	1,447	125	-	-
Counselor	175	61	236	-	175	-	-	-	-
Cross County	53	1,776	1,726	103	53	-	-	-	103
Dist. Tourn.	-	17,710	17,710	-	-	-	-	-	-
Dist. Tourn.	-	14,698	14,698	-	-	-	-	-	-
Drama	-	4,043	3,661	382	-	-	-	-	382
Farmers & Trader Tou	-	967	967	-	-	-	-	-	-
FFA	-	23,597	23,508	89	-	-	-	-	89
FHA	733	10,831	9,851	1,713	733	-	360	-	1,353
Girls Gate	-	10,377	10,377	-	-	-	-	-	-
Newspaper	22	-	-	22	22	-	-	-	22
Prom	-	8,265	8,265	-	-	27	27	-	-
Science Dept.	484	1,768	2,236	16	484	-	-	-	16
Senior Class	30	1,819	1,849	-	30	-	-	-	-
Senior Trip	-	546	546	-	-	-	-	-	-
Softball	-	1,317	1,307	10	-	-	-	-	10
Store-WCHS	779	1,637	1,837	579	779	-	-	-	579
Teacher Acct.	729	474	1,203	-	729	-	-	-	-
Track	-	1,392	1,200	192	-	-	-	-	192
TSA	-	3,498	3,014	484	-	-	-	-	484
U. K. Survey	-	-	-	-	-	-	-	-	-
Vo - Ag	1	4,829	4,658	172	1	-	-	-	172
Vo - Business	588	-	-	588	588	-	-	-	588
Yearbook	1,438	5,728	5,320	1,846	1,438	650	-	-	2,496
TOTALS	\$ 8,344	\$ 244,431	\$ 245,754	\$ 7,021	\$ 8,344	\$ 2,145	\$ 938	\$ -	\$ 8,228

WOLFE COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass - Through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPT. OF AGRICULTURE</u>			
Passed Through State Dept. of Education:			
National School Lunch	10.555	0575-03-02	\$ 363,504
	10.559	0574-02-23	17,166
School Breakfast	10.553	0576-02-05	163,573
Passed Through State Dept. of Agriculture:			
Food Distribution (In-Kind Commodities)	10.550		39,727
TOTAL U.S. DEPT. OF AGRICULTURE			<u>583,970</u>
<u>U.S. DEPT. OF EDUCATION</u>			
Passed Through State Dept. of Education:			
Title I	84.010	0351-03-02	807,586
IDEA B	84.027	0581-03-02	332,145
Vocational Education	84.048	0462-03-32	20,739
Preschool - Early Childhood	84.173	0587-03-02	25,696
Title IV - Safe & Drug Free Schools	84.186	0590-03-02	19,601
Tech Prep Education	84.243	0710-04-02	43,816
Title VI	84.298	0533-03-02	7,809
Technology Literacy Challenge	84.318	0736-03-02	25,612
Title VI Rural/Low Income School Program	84.358	0350-04-02	52,787
Title II	84.367	0710-03-03	<u>135,111</u>
TOTAL U.S. DEPT. OF EDUCATION			<u>1,470,902</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ <u><u>2,054,872</u></u>

**WOLFE COUNTY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2005**

NOTE 17 - BASIS OF PRESENTATION - FEDERAL SCHEDULE OF AWARDS

The accompanying schedule of expenditures of federal awards include the federal grant activity of the Wolfe County School District and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Food Distribution

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. For the year ended June 30, 2005, the District received food commodities totaling \$39,727.

**WOLFE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2005**

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

STATE AUDIT REQUIREMENTS

05-1 Condition: A KTRS retiree employed by the District worked in excess of 100 days, and no exemption was on file as required by KRS 161.605

Response: Board agrees with finding. Upon notice of this oversight, the proper documentation was submitted and an exemption for this employee was obtained from KTRS.

**WOLFE COUNTY BOARD OF EDUCATION
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2004**

STATE AUDIT REQUIREMENTS

04-1 Condition: Interest earned on restricted accounts per KRS 157.620 were not allocated to Building Fund and Construction Fund.

Response: Board agrees to finding. We will begin allocating interest income to the Building Fund and Construction Fund based on monthly cash balances per KRS 157.620.

Status: Board has corrected this finding.

04-02 Condition: The Bond of Depository form was not completed and submitted during the fiscal year in accordance with KRS 160.570(1).

Response: Board agrees to finding. This was an oversight on our part. The Bond of Depository will be completed and approved by the board during the fiscal year from now on according to KRS 160.570(1).

Status: Board has corrected this finding.

SUMMERS, MCCRARY & SPARKS, P.S.C.

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS:

AMERICAN INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS

KENTUCKY SOCIETY
OF CERTIFIED PUBLIC ACCOUNTANT

PRIVATE COMPANIES
PRACTICE SECTION OF THE AMERICAN INSTITUTE

141 PROSPEROUS PLACE
SUITE 21A
LEXINGTON, KY 40509-1854
(859) 264-8785
FAX: (859) 264-1736

201 SOUTH MAIN STREET
WINCHESTER, KY 40391
(859) 745-1174
(859) 231-8988

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Kentucky State Committee for School District Audits
Members of the Board of Education
Wolfe County School District
Campton, KY

We have audited the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Wolfe County School District (District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 4, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Procedures for Auditing Local Districts Fiscal Records*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the District in a separate letter dated October 4, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to management of the District in a separate letter dated October 4, 2005.

In addition, the results of our tests disclosed an instance of noncompliance of specific state statutes or regulations identified in *Appendix II of the Independent Auditor's Contract - State Audit Requirements*. See finding number **05-01** in the Schedule of Findings and Questioned Costs.

This report is intended solely for the information and use of the Board, management, the Kentucky Department of Education and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Summers, McCrary & Sparks, PSC

Summers, McCrary & Sparks, PSC
Lexington, Kentucky
October 4, 2005

SUMMERS, MCCRARY & SPARKS, P.S.C.

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS:

AMERICAN INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS

KENTUCKY SOCIETY
OF CERTIFIED PUBLIC ACCOUNTANT

PRIVATE COMPANIES
PRACTICE SECTION OF THE AMERICAN INSTITUTE

141 PROSPEROUS PLACE
SUITE 21A
LEXINGTON, KY 40509-1854
(859) 264-8785
FAX: (859) 264-1736

201 SOUTH MAIN STREET
WINCHESTER, KY 40391
(859) 745-1174
(859) 231-8988

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Kentucky State Committee For School District Audits
Members of the Board of Education
Wolfe County School District
Campton, Kentucky

Compliance

We have audited the compliance of the Wolfe County School District (District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

Page Two

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses

This report is intended solely for the information and use of the Board, management, the Kentucky Department of Education and federal awarding agencies and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

Summers, McCrary & Sparks, PSC

Summers, McCrary & Sparks, PSC
Lexington, Kentucky
October 4, 2005

SUMMERS, MCCRARY & SPARKS, P.S.C.
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS:

AMERICAN INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS

KENTUCKY SOCIETY
OF CERTIFIED PUBLIC ACCOUNTANT

PRIVATE COMPANIES
PRACTICE SECTION OF THE AMERICAN INSTITUTE

141 PROSPEROUS PLACE
SUITE 21A
LEXINGTON, KY 40509-1854
(859) 264-8785
FAX: (859) 264-1736

201 SOUTH MAIN STREET
WINCHESTER, KY 40391
(859) 745-1174
(859) 231-8988

Wolfe County School District
Campton, Kentucky

In planning and performing our audit of the financial statements of Wolfe County School District for the year ended June 30, 2005, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated October 4, 2005 on the financial statements of the Wolfe County School District

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various district personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Respectfully,

Summers, McCrary & Sparks, PSC

Summers, McCrary & Sparks, PSC
Lexington, Kentucky
October 4, 2005

**WOLFE COUNTY BOARD OF DISTRICT
MANAGEMENT POINTS
JUNE 30, 2005**

BOARD

1. Capital Assets

Comment: During our audit of capital assets, we noted the purchase and disposition of buses as well as the associated bond proceeds were not recorded.

Recommendation: We suggest management review the procedures in place for recording capital asset transactions to ensure all capital assets and associated debt proceeds are properly recorded.

Response: Board agrees with finding. The Fixed Asset Coordinator/Finance Officer will review all fixed asset procedures and work closer with all parties involved in purchasing and disposition of all fixed assets to ensure that proper documentation and record keeping is completed in a timely manner.

2. Purchase Orders

Comment: During our testing of internal controls over cash disbursement, we noted several instances where the purchase order was dated after the date of the invoice.

Recommendation: The Board should review the current controls over the use of purchase order to reinforce that purchase orders should be obtained before a purchase.

Response: Board agrees with finding. The finance department will review all purchasing procedures with those authorized to initiate purchases to ensure that a purchase order is obtained and approved prior to a purchase or an order being placed.

**WOLFE COUNTY BOARD OF DISTRICT
MANAGEMENT POINTS
JUNE 30, 2005**

**ACTIVITY FUNDS
WOLFE COUNTY HIGH SCHOOL**

Comment: While reviewing the Fund Raiser Worksheets (Form F-SA-2B) we discovered Principal was not signing the form.

Recommendation: The Bookkeeper and the Principal should review the Fund Raiser Worksheet (Form F-SA-2B) to familiarize themselves what is needed to complete the form correctly.

Response: All fund raiser activity will be monitored in a more efficient manner including the accurate completion of Form F-SA-2B. Sub-accounts have been set up in the EPES bookkeeping software for approved fundraisers to provide accurate financial information to aide in the completion and review of this form.

Comment: While reviewing the forms for Athletic Ticket Sales (Form F-SA-1), we found one instance where ticket stubs were not attached to the form, several forms were missing the signatures of the person remitting the funds, and the initials of the ticket takers.

Recommendation: The Bookkeeper, Principal, and any other persons involved in athletic ticket sales should review the policies and procedures listed in the "Ticket Sales" section of the UPASAF, which state that pre-numbered tickets shall be used for ALL events for which admission is charged and the person in charge records the beginning ticket number and signs the form (Form F-SA-1). All money collected and Form F-SA-1 are returned to the Bookkeeper who verifies the beginning and ending ticket numbers, accounts for the money collected, and signs the form.

Response: All persons involved with athletic ticket sales will review all policies and procedures involved. Several forms were missing signatures due to the fact that the bottom of Form F-SA-1 which contains the signature lines has been cut off in the "Accounting Procedures for KY School Activity Funds" or the "Redbook".

Comment: During the review of the Annual Financial Report, we discovered a listing of accounts receivable and accounts payable was not prepared for the month ending June 30, 2005.

**WOLFE COUNTY BOARD OF DISTRICT
MANAGEMENT POINTS
JUNE 30, 2005**

Recommendation: The Bookkeeper should review the "Financial Reports" policy section, item no. 1, of the UPASAF, which states a list of accounts receivable and accounts payable (Form F-SA-15B) shall accompany the Monthly Financial Report.

Response: The "Financial Reports" section will be reviewed and followed. A list of accounts payable and receivables will be completed on a monthly basis.

Comment: During the review of Transfer Forms (Form-F-SA-10), we discovered sponsor's signatures were not being obtained and the principal was signing the forms prior to needing them. Also, we could not locate one of the transfer forms.

Recommendation: The Bookkeeper and Principal should review the "Transfers" policy section, item no. 1, of the UPASAF, amounts may be transferred between activity funds on by proper completion of a Transfer Form (Form F-SA-10). The sponsor of the remitting activity, the school treasurer, and the principal shall sign the Transfer Form.

Response: The "Transfers" section will be reviewed and followed. All authorizing signatures shall be obtained prior to transfers being processed. No blank transfer forms shall be signed by anyone.

Comment: During our review of cash receipts, we discovered daily deposits were not being made

Recommendation: The Bookkeeper and Principal should review the "Handling Cash" policy section, items no. 3 and 6, of the UPASAF, which states that all monies collected should be deposited on a daily basis.

Response: Deposits will be made on a daily basis or as soon as \$100 is collected per "Handling Cash" policy. A safe has been purchased to secure money until a deposit is made.

Comment: During our review of cash disbursements, we discovered two Purchase Orders (Form F-SA-7) dated after the invoice, one invoice that was not signed off by the sponsor and principal prior to payment, and two standard invoices that did not have the vendor signature on them.

Recommendation: The Bookkeeper and Principal should review the "Purchasing" procedures section, items no. 1,3, and 4, of the UPASAF, which states to initiate a purchase and payment, a Purchase Order (Form F-

**WOLFE COUNTY BOARD OF DISTRICT
MANAGEMENT POINTS
JUNE 30, 2005**

SA-7) shall be prepared and approved by the sponsor and principal before payment is obligated. In the case that a standard invoice is used, it must be signed by the payee. The vendor invoice and/or standard invoice must have the approval and signature of the principal and the faculty sponsor of the activity expending the monies before the payment process can be continued.

Response: The "Purchasing" procedures have been reviewed by all staff and will be followed. Anyone who does not follow purchasing procedures will be reported to the school principal and if done repeatedly will be reported to the Finance Officer or Superintendent.

Comment: During our review of Cash Disbursements, we discovered a check that was not voided correctly.

Recommendation: The bookkeeper should review the "Purchasing" procedures section, item no. 8, of the UPASAF, which states to void checks print the word VOID across the face of the check and tear the signature portion off.

Response: All voided checks will be marked with "VOID" and the signature lines removed.

Comment: During our review of the Cash Disbursements, we discovered a payment that was made for travel reimbursement, without the submission of a Travel Voucher (Form F-SA-16).

Recommendation: The Bookkeeper should review the "Cash Advances, Travel Reimbursements, and Pay for Services" section, item no. 2, of the UPASAF, which states payments for the reimbursement of travel expenses may be made from school activity funds with the submission of a Travel Voucher (Form F-SA-16).

Response: The "Cash Advances, Travel Reimbursements, and Pay for Services" section will be reviewed and no payments for reimbursements shall be made without proper documentation.

Comment: During our review of the Monthly Financial Reports (Form F-SA-14), we discovered four reports not completed in a timely manner.

Recommendation: The Bookkeeper and Principal should review the "Financial Reports" policy section, item no. 1, of the UPASAF, which states the school treasurer shall prepare the Monthly Financial Report (Form F-SA-14) at the close of each month.

**WOLFE COUNTY BOARD OF DISTRICT
MANAGEMENT POINTS
JUNE 30, 2005**

Response: The "Financial Reports" section will be reviewed. All Financial Reports will be done in a timely manner with the Monthly Financial Report being completed at the close of each month.

WOLFE COUNTY MIDDLE SCHOOL

NO FINDINGS

ROGERS ELEMENTARY SCHOOL

NO FINDINGS

CAMPTON ELEMENTARY SCHOOL

NO FINDINGS

RED RIVER VALLEY ELEMENTARY SCHOOL

Comment: While reviewing Inventory Control Worksheets, we noticed significant overages/shortages are not being explained.

Recommendation: The Bookkeeper should review the Inventory Control Worksheet (Form F-SA-5) which requires the explanation of overages/shortages.

Response: The "Inventory Control Worksheet" will be reviewed and completed accurately with any significant overages or shortages being explained.

Comment: The Internal Account Budget (Form-F-SA-3) was not prepared.

Recommendation: The Bookkeeper and Principal should review the "Activity Fund Budgets" policy section of the UPASAF, which states each club and organization shall prepare a tentative budget or receipts and expenditures, and from those the principal can prepare and submit the Internal Account Budget (Form F-SA-3).

Response: The "Activity Fund Budget" section will be reviewed and each club and organization shall prepare budgets and submit to the principal by April 15.

Comment: During the review of athletic ticket sales, it came to our attention that the person remitting the funds was not signing on the bottom of the Requisition and Report of Ticket Sales (Form F-SA-1).

**WOLFE COUNTY BOARD OF DISTRICT
MANAGEMENT POINTS
JUNE 30, 2005**

Recommendation: The Bookkeeper should review the "Ticket Sales" procedures section, item no. 6, of the UPASAF, which states Reconciliation, explanation of shortages/overages, and signatures are being recorded using Form F-SA-1.

Response: All persons involved with athletic ticket sales will review all policies and procedures involved. Several forms were missing signatures due to the fact that the bottom of Form F-SA-1 which contains the signature lines has been cut off in the "Accounting Procedures for KY School Activity Funds" or the "Redbook".